

How Changes in the Nation's Age and Household Structure Will Reshape Housing Demand in the 21st Century

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I. Executive Summary

The demographic context for Americans' housing needs can be expected to change considerably during the first quarter of the 21st century. Yet while demographic trends push Americans in new directions, longstanding preferences continue to shape their housing choices. This interaction between changing demographics and persistent wants will heighten the need for housing professionals to monitor evolving housing patterns and verify housing preferences, so they can base policies on new realities rather than old assumptions.

This paper addresses current and projected changes in the nature of the nation's population and its households that will affect the demand for housing.¹ Perhaps the most important change is that, for the first time in history, we are looking at a population that will have roughly equal numbers of people in every age group. (The age picture of the country is looking more like a pillar than the classic pyramid.) Although the nation's population continues to grow at all ages, the largest growth is in the population that has largely completed its child rearing. Other things equal, this shift should in itself increase the proportion of the population that owns, rather than rents, its housing.

Households are a better predictor of changes in housing demand than population, and the nation's increasingly [MR1] diverse age structure is changing its household composition. In particular, household size is shrinking, as married couples *without* children (in the home) and single-person households each outnumber "traditional family" households. Among other things, this trend is undermining old assumptions about age-based choices of city versus suburban housing.

The combination of longer life expectancies and the continuing preference for one or two children will make households without children even more numerous. In 2000, the traditional family represented fewer than one in four households. With household growth concentrated in older age groups, the traditional family is projected to account for only one in five households in

2025.² Whether for financing, constructing, or managing housing, professionals will need to investigate ways to accommodate the greater variety of household types.

Meanwhile, the nation's minority population has grown significantly in recent decades, and minority household patterns are somewhat different from those of non-Hispanic white households. In particular, minority households tend to have more children and are more likely to include multiple generations and/or be headed by a single individual. Minority households are also projected to be relatively younger in 2025, so the trend toward more older people, and thus more households without children in them, affects the majority population disproportionately. In any case, these differences are a guide to preferences about housing size, characteristics, and location. They also signal a challenging context for people concerned about maintaining community viability.

Income plays a major role in determining Americans' housing resources and preferences. Households that are post-family and pre-retirement generally have higher incomes than the average for all households, while younger households with children, and minority households in general, tend to have lower incomes. However, income inequality is far greater in the growing older population than it is among households under age 55. This divergence suggests that the owner/renter dichotomy may become an important issue in the debates over adjusting basic policies to accommodate a population that contains more older people, both absolutely and relatively.

All these changes suggest some directions for research to aid housing professionals in managing their response to changes in America's demographic context. They need to:

1. Discover what the growing household segments—largely without children in the home—really want from housing, and modify their assumptions accordingly.
2. Understand the relationship between household composition and housing preferences for each minority group.
3. Develop an understanding of the relationship between household income, household composition, and housing, especially in relation to life stage and to race and ethnic origin, with particular attention to ownership issues.

II. Who We Are, and Who We Are Becoming

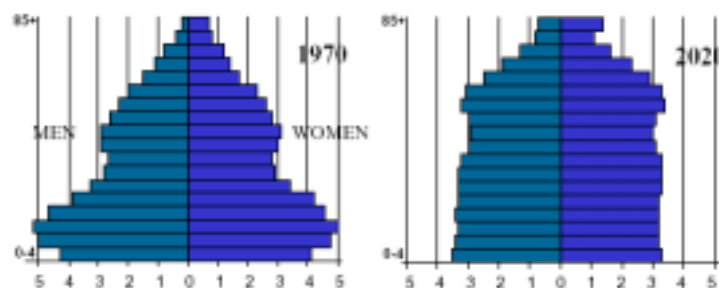
A. For the first time in history, we are looking at a population that will have roughly equal numbers of people in every age group.

The demographic changes that will reshape the nation's residential landscape in the 21st century are first and foremost age-driven population changes. These changes are motivated by the growing number of years individual Americans remain in the population. Given Americans' continuing preference for the two-child family, this "failure" of Americans to die in middle- or early old age is increasing the number of childless households that are pre- and, increasingly, post-family relative to the number that contain children. Thus, new needs and preferences are likely to come into play as Americans make their housing choices.

Throughout history, the age picture of any population has been a pyramid, with a wide base representing a large share of babies; a narrowing midsection because many died in early childhood and others died (at a lower rate) as they aged; rising to a pinnacle depicting the few individuals who survived to old age. In this world, roughly half the population were children, many of whom died before they had children of their own. The few elderly, along with the children, could be cared for by the people in the middle. This is the population the nation's communities and housing were designed for, and this was very much the U.S. population as recently as 1970.

Figure 1 shows two age pictures for the United States: 1970 and 2020, as projected by the U.S. Census Bureau.³ The age picture for 1970 is still the traditional population pyramid, but for 2020 it is more of a population "pillar," because each age group is roughly the same size, except the very oldest. This shift is not because people are having fewer children. For over a decade now, U.S. fertility rates have steadily reflected American families' longstanding preference for two children, and more babies have been born each year than the year before. But with fewer people dying before old age, the bars toward the top are becoming much wider, as shown in Figure 1.⁴

Figure 1. From Pyramids to Pillars, 1970 and 2020
(% of population in each five-year age group)



Source: U.S. Census Bureau

As a result, the size of each of the three basic household-forming age groups is expected to become more similar by 2025, as shown in Table 1:

Table 1. Major U.S. Age Groups

(in thousands)

<u>Age group</u>	<u>2000</u>	<u>2025</u>
25–44	85,041	86,106
45–64	61,952	78,416
65 and over	34,992	62,641

Source: Table DP–1, 2000 census, and Table NP–T4–F, population projections, U.S. Census Bureau, www.census.gov

In 2000, the youngest of the three age groups, 25–44, accounted for almost as many people as the two older groups put together. By 2025, it will barely exceed the group aged 45–64, with the older group not far behind. So the increase in population is largely among people in middle age and beyond, as more Americans survive to older ages.

From a housing perspective, the most potentially intriguing change is the evening out of the householder age distribution, as shown in Table 2:

Table 2. Household Composition by Age of Householder, 2000 and 2025

(in thousands)

2000	<u>All ages</u>	<u>Under 25</u>	<u>25–44</u>	<u>45–64</u>	<u>65 plus</u>
All households	105,480	6,328	42,135	35,484	21,533
Family households	72,111	3,454	31,247	25,868	11,542
Without children <18	37,629	1,461	6,878	17,888	11,402
Married	30,118	599	5,288	14,917	9,314
Not married	7,511	862	1,590	2,971	2,088
With children <18	34,483	1,993	24,370	7,980	140
Married	25,489	873	18,074	6,437	104
Not married	8,994	1,120	6,295	1,543	36
Nonfamily households	33,369	2,874	10,888	9,616	9,991
Single	27,175	1,422	7,831	8,265	9,657
With relatives	6,194	1,452	3,057	1,351	334
2025					
All households	132,436	7,058	44,940	40,221	40,218
Family households	88,836	4,021	33,482	29,316	22,017
Without children <18	51,707	1,708	7,329	20,983	21,687
Married	40,840	638	5,477	17,141	17,585
Not married	10,867	1,070	1,848	3,842	4,102
With children <18	37,129	2,313	26,153	8,333	330
Married	27,078	1,028	19,167	6,641	242
Not married	10,051	1,286	6,986	1,692	88
Nonfamily households	43,600	3,036	11,458	10,905	18,201
Single	36,633	1,491	8,147	9,454	17,540
With relatives	6,968	1,545	3,311	1,451	661

Source: 2000 census, U.S. Census Bureau, www.census.gov; Thomas G. Exter

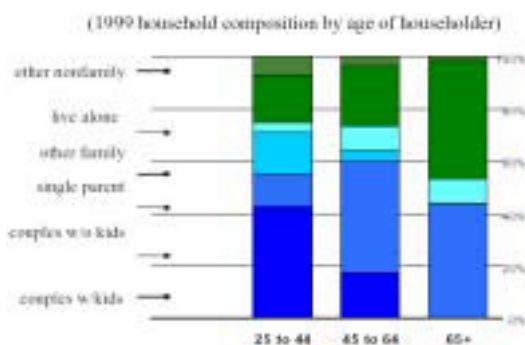
This table suggests that the considerable increase in the nation's households will occur largely in the older, post-childrearing age groups. Part of this growth will, of course, result from the aging of the baby boom. This large cohort will swell the 55–64 and 65–74 age groups in 2025. However, it may be more useful to think in terms of a long-term trend toward three roughly equal groups of householders—young adults, middle-aged, and older—than in terms of the aging of the baby boom. The latter phenomenon is temporary, the former very likely long lasting, given the underlying trends shaping the population as a whole.

Although ownership trends are largely dependent on economic trends and therefore outside the scope of this paper, the shift to an increasing presence of older households should, other things equal, increase the proportion of the population that owns, rather than rents, its housing. In any case, the trend toward increasing numbers of householders at virtually all adult ages will make it more important to pay attention to age-based differences in household types.

B. Household size is shrinking, and fewer households contain children.

Households tend to be very different for young, middle-aged, and older adults, as shown in Figure 2.⁵

Figure 2. The Life Stage of Households



Source: U.S. Census Bureau

These differences augur a significant impact from the shift towards a population made up of several different age groups of roughly equal size, if only because housing needs and choices are very different for households with and without children. Longer life expectancies are compressing child-rearing into an increasingly small proportion of adult life, compared to virtually the entirety of adult life only a few generations ago. Americans now spend an average of only 35 percent of the years between ages 20 and 70 in parenting, although there are considerable differences by gender and by race.⁶ The overall effect of this shift is that the nation's households are smaller, and families make up a smaller proportion of them. In 2000, the

average household contained 2.6 people (down from 3.6 as recently as 1970), and only 68 percent of them were families (down from 81 percent).⁷

The shift toward relatively equal-sized age groups is also making family households much more diverse, as shown in Table 3. When today's decisionmakers grew up, the most common family arrangement was a married couple with one or more children.⁸ However, the combination of longer life expectancy and the two-child family has made married couples without children more numerous—put simply, couples have more years together after their children have reached age 18. By 2000, the traditional family represented just 35 percent of all family households and only 24 percent of all households. Meanwhile, married couples without children had become the nation's most common family (and household) type. Single-parent households (more than four in five headed by a woman) were also more common, growing from 4 percent of family households in 1950 to 12 percent in 2000.

Households that do not contain a family, i.e. persons related by blood or marriage, make up the rest of the nation's households. These “nonfamily” households are growing rapidly, and the majority of them consist of persons living alone. Single-person households are the nation's second most numerous household type, accounting for over 25 percent of all households.⁹ This is not surprising, considering that people ages 65 and older are the largest share of single-person households. Until recent decades, a widowed parent, most often a mother, would move into a child's household. Since 1960, older people's increasing financial independence has been accompanied by increasing residential independence. The proportion of Americans ages 65 and older who live in a relative's household has been nearly halved since 1970, to less than 7 percent in 2000, while about 30 percent now live alone.¹⁰ However, Figure 2 shows that single-person households are common in every age group—1 in 10 Americans ages 25 to 44, the most common ages for marriage, lives alone.

It is important to examine the household characteristics of each broad age group before assessing their housing wants and needs, rather than making assumptions about them. Although older adults are a major factor in the growing importance of single-person households, the majority of Americans ages 65 and older either head their own family household or are married to the household head. Moreover, although most of these older family households are married couples, many young or middle-aged adults live in households headed by an elderly, usually widowed parent. The adult child tends to be divorced or otherwise have low income, presumably offering companionship and assistance in exchange for sharing the parent's home.¹¹

Clearly, the traditional family household of married couples with children is common among households headed by someone under age 45. However, with population growth

concentrated in older age groups, this household type is projected to account for only one in five households in 2025, or 30 percent of all family households, as shown in Table 3:

Table 3. Household Composition, 2000 and 2025

(In thousands)	<u>2000</u>	<u>2025</u>	<u>Growth rate</u>
All households	105,480	132,436	26%
Family households	72,111	88,836	23%
Without children <18	37,629	51,707	37%
Married	30,118	40,840	36%
Not married	7,511	10,866	45%
With children <18	34,483	37,129	8%
Married	25,489	27,078	6%
Not married	8,994	10,051	12%
Nonfamily households	33,369	43,600	31%
Single	27,175	36,633	35%
With nonrelatives	6,194	6,968	13%

Source: Thomas G. Exter; based on 2000 census, U.S. Census Bureau

Overall, households with children in them are likely to account for only 28 percent of all households. However, since statistical convention makes children into adults at age 18, other households will actually contain children of the householder, most likely wholly or partially dependent young adults. This latter group merits watching, especially to see whether and how it influences parental housing choices, since young adults tend to alternate living with parents with other living situations.

The trend to a higher proportion of people at older ages means even more households without children in them, whether married couples (the great majority), people living alone (especially women, even among the young), or people living with others to whom they are not related. Nearly 40 percent of households are expected to be families without children in them, while fully a third are expected to be nonfamily households, mostly people living alone. As Table 3 shows, only the age group 25–44 will continue to display the traditional pattern of child-

centered family households. Even so, a quarter of households in this age group will be nonfamily households, and nearly a fifth will consist of single people.

Not too many years ago, housing professionals thought almost exclusively about the housing needs and preferences of families with children. (Indeed, houses were generally referred to as “family” houses.) Now they need to understand the needs and preferences of several different household types, not just for housing construction but also including preferences for refitting a current home to meet the needs of a new, post-child-rearing household configuration and avoid a move from a cherished home or valued neighborhood.

One clear implication is a need to build flexibility into new or existing housing, to accommodate a variety of uses. Some builders are already designing spaces that can serve equally well as home offices or foster semi-independent living (for younger or older family members) before, after, or instead of housing children. Doing this effectively requires adapting basic processes—for instance, thinking through plumbing and other key structural features with an eye to potential modifications, either by the same or subsequent residents.

Building flexibility into housing financing is another implication, given the increasing numbers of householders at different stages of the life course. Financing has traditionally been designed for young couples acquiring a home they might live in for most of their adult lives (and has been based on the assumption that their income would increase over the life of the mortgage). But longer lives are creating new life stages, as well as multiple household types for a given individual over a lifetime.

Reverse mortgages may represent the first attempt to address this trend, but others are called for. For instance, there might be some way to make it easier for people who are not married to one another to jointly acquire housing without necessarily requiring joint dissolution. Similarly, changes in a given household, notably through family break-up or reformation, call for flexible financing instruments. Many midlife or older married couples started married life with someone else, complicating issues of homeownership and ownership transfer. These and other household changes make for a shorter duration in a given home, as well as more variation in income expectations.

Whether for financing, constructing, or managing housing, professionals could benefit from “thinking out of the box” about ways to accommodate the greater variety of household types. This implies considerable consumer research to validate new thinking before undertaking major changes. A common failing of housing specialists has been to act on assumptions about what a given household type might want instead of querying a representative group. Early

examples of high-rise condominiums designed for singles, or attached housing designed for the elderly, tended to underestimate Americans' overwhelming preferences for a house with its own private yard—however small and maintenance-free it might be—no matter what kind of household they lived in. A more varied household population calls for more varied housing, but it must be varied according to real preferences, not facile assumptions.

A broader range of households also raises several policy issues. For example, people have a tendency to share preferences and lifestyles according to their broad age group and family situation. On the one hand, that implies a “balkanization” of neighborhoods that could be harmful to maintaining a viable community. On the other hand, it implies that “mixed” neighborhoods could be riven by disputes over such classic issues as noise, appearance, and use and support of community resources, like parks. In the past, differences in affordability assured a certain homogeneity of tastes among those living in a given neighborhood. In the future, housing policymakers may have to be more proactive in managing age-based differences and establishing consensus-based standards.

Finally, households are not becoming equally diverse everywhere in the country. First, tabulations of 2000 census results for The Brookings Institution show that growing cities are adding population faster than households, and declining cities are losing population faster than households.¹² This seeming conundrum largely reflects the dominance of young adults among interstate movers. As they leave their parents' households, many choose new cities with vibrant job markets. They have their children in the new location, thus swelling the population. As a result, the traditional married with children families are a growing segment in many parts of the South and West, while they are now outnumbered by single-parent families in northern and midwestern cities, where population has declined significantly.

At the same time, the life course changes described earlier continue to challenge conventional notions of who lives where. For instance, the Brookings Institution's tabulations found that singles now make up a larger share of suburban households than married couples with children. Taken together, these analyses support the view that household change is more important than simple population change in determining changes in housing demand.¹³ The study also calls for validating national trends via local studies before undertaking significant policy revisions based on any estimated changes.

C. The nation's traditional household is increasingly minority, while the nation's majority population increasingly lives in nontraditional households.

The nation's minority populations have grown significantly in recent decades, making an understanding of their housing wants and needs more than a simple gesture of sensitivity, particularly in metropolitan areas where these populations are numerous and/or growing. Nationwide, non-Hispanic whites now represent 70 percent of the population, while the minority population is more diverse as well as more numerous than in previous decades. Non-Hispanic blacks slightly outnumber Hispanics, but each group accounts for about 12 percent of the population. Asians account for over 4 percent. Although the number of American Indians, including Alaska Natives, nearly tripled over the century (partly due to better reporting but mostly due to improved socioeconomic status), they account for less than 2 percent of all Americans.¹⁴

Current projections from the U.S. Census Bureau factor in the relative youthfulness of minority populations, differences in their fertility and mortality, and likely trends in immigration. Pre-2000 projections suggested that in 2025 non-Hispanic whites will account for about 62 percent of the population, Hispanics for 18 percent, non-Hispanic blacks for 13 percent, Asians and Pacific Islanders for 6 percent, and American Indians for 1 percent.¹⁵ When these projections are updated to incorporate the results of the 2000 census, which found higher than expected numbers of minority residents, they will probably suggest an even greater shift toward minority populations.

Minority groups' growing share of the nation's population is also changing the nation's household composition. Since household composition is so important in determining Americans' housing practices and preferences, housing professionals need to understand the differences between minority- and majority-group households, which occur in large part because minorities are younger than the majority population. The 2000 census recorded a median age of 38.5 for the majority, non-Hispanic white population, nearly a dozen years older than the median age of the Hispanic population (26.6). American Indians (28.5) were almost as young as Hispanics, while the median ages of the African-American population (30.5) and the Asian population (32.3) were not much higher. As a result, these populations are still dominated by households in the family-formation stage, and consequently contain a much larger proportion of families with children.

Minority households also differ from the majority pattern to the extent that so many, particularly Hispanics and Asians, are recent immigrants who have not yet established or

reconstituted their families. In addition, minority groups often display slightly different household patterns. For example, nuclear families are often more fluid and extended families more prominent, especially when raising children or caring for elders.¹⁶ Thus, “subfamilies” are relatively more common, i.e. a nuclear family or portions of a nuclear family living in the household of another, related family—with obvious implications for housing.

The 2000 census found that white non-Hispanics accounted for 75 percent of the nation's households, as shown in Table 4.¹⁷ Black non-Hispanic households represented 12 percent, Hispanic households 9 percent, and other races (largely Asians, American Indians, and Pacific Islanders) 5 percent. However, for housing purposes, it is important to look beyond simple differences in the numbers of households and pay appropriate attention to differences in the size and type of households within each group. For instance, the majority of white family households have no children in them, while the reverse is true for minority family households, especially Hispanics. This difference is a product of variations in both age and fertility.¹⁸ For housing, these distinctions are a guide to preferences about size, characteristics, and location.

Table 4. Household Composition by Race/Ethnicity of Householder, 2000 and 2025

(in thousands)	<u>All</u>	<u>White non-Hispanic</u>	<u>Black non-Hispanic</u>	<u>Hispanic origin</u>	<u>Other races</u>
2000					
All households	105,480	79,093	12,055	9,222	5,109
Family households	72,111	53,014	7,931	7,375	3,791
Without children <18	37,629	29,501	3,563	2,840	1,725
Married	30,118	25,117	1,924	1,745	1,331
Not married	7,511	4,384	1,639	1,095	394
With children <18	34,483	23,514	4,368	4,535	2,066
Married	25,489	18,604	1,916	3,261	1,707
Not married	8,994	4,384	1,639	1,274	359
Nonfamily households	33,369	26,079	4,124	1,847	1,318
Single	27,175	21,425	3,466	1,338	946
With relatives	6,194	4,654	658	509	372
2025					
All households	132,436	87,854	17,059	17,924	9,600
Family households	88,836	56,932	10,889	13,970	7,045
Without children <18	51,707	36,014	5,765	6,352	3,576
Married	40,840	30,723	3,257	4,051	2,809
Not married	10,867	5,291	2,508	2,301	767
With children <18	37,129	20,918	5,124	7,618	3,469
Married	27,078	16,493	2,247	5,482	2,856
Not married	10,051	4,425	2,877	2,136	613
Nonfamily households	43,600	30,922	6,170	3,954	2,555
Single	36,633	26,361	5,332	3,052	1,888
With relatives	6,968	4,561	838	902	667

Source: 2000 census, U.S. Census Bureau; Thomas G. Exter

Another important difference for housing, especially for affordability and homeownership, is the different proportion of husband-wife families, especially among households with children. The great majority of white and “other races” families are husband-wife families, compared to less than half of black families and two-thirds of Hispanic families. As a result, compared to the majority population, more than twice as many black and Hispanic families with children are headed by someone who is not married.¹⁹ Households with two parents can have two incomes or one income/one caretaker; households with just one parent have only one person who must be both provider and caretaker.

Nonfamily households also differ significantly by race and Hispanic origin. Blacks have the largest proportion of single-person households—nearly 30 percent. There are almost as many single-person as married-couple households in this population. Non-Hispanic white households have almost as large a share of single-person households, compared to just 15 percent of Hispanic households and 20 percent of Asian and other race households. These and other household differences reflect different family patterns, often different choices, such as a preference (or a financial need) to live with other family members or other people, versus residential independence.

The greater youthfulness of the nation's minority population, compared to the majority, drives household projections to 2025. Their principal implication for housing is that the trend toward more older people, and thus more households without children in them, affects the white population disproportionately. That is not to say that there will not be larger numbers of older people among minority groups, because they share the same trend to longer life expectancy. However, the relative youthfulness and high fertility rates of minority groups mute the impact of this shift. For instance, although only 28 percent of all households are projected to have children in them in 2025, 43 percent of Hispanic households should have children, 36 percent of Asian and other race households, and 30 percent of black households—compared to 24 percent of white non-Hispanic households. Thus, builders and planners interested in traditional family housing should be relatively more attuned to the housing preferences and needs of the growing minority populations.

The assumption of a continuation of each group's current household patterns yields some intriguing results. For instance, although the Hispanic population is beginning to outnumber the black population, the projections suggest almost equal numbers of black and Hispanic households in 2025—again underlining the value of following household over population trends for housing. This disparity reflects the slightly older nature of the black population, as well as a greater tendency for older African Americans than Hispanics to live independently, thus creating more households. It also reflects the more varied household composition of the black population, compared to the heavily family-oriented nature of the Hispanic population, which puts more

people into fewer households. Meanwhile, white non-Hispanic households will represent only two-thirds of all households, underscoring the value of understanding racial and ethnic differences that are relevant for housing.²⁰

In sum, the nation's two major demographic changes—shifts in the population's age and racial composition—have already created appreciable differences in the nation's household picture. In an overall sense, the nation's traditional household is increasingly minority, while the nation's majority population increasingly lives in nontraditional households.

Perhaps the most important implication for housing comes from the industry's traditional focus on families with children. The survival of most adults to older ages has increased the share of older, childless adult households, and the increase in the minority population via immigration and higher fertility rates has increased the minority share of younger adult households. Consequently, households with children in them are increasingly minority.

The effects of this shift are already being seen in changing character of familiar locations. The 2000 census found that cities where growth reflected large numbers of recent immigrants were particularly likely to develop a more "suburban" character via strong growth in the numbers of married couples with children. Meanwhile, suburbs around the country became more "urban," as nonfamily households, especially young singles and elderly people living alone, came to outnumber traditional families in their populations.

Given the obvious differences in household type and income by lifestage, the intersection of trends in age and racial and ethnic origin suggest that housing analysts need to understand each large age/race/income/household segment within their particular housing market. Such an understanding will enable them to identify needs and preferences that are shared, and thus constitute a large market, and distinguish those needs and preferences that need special treatment.

For instance, key differences in household composition may call for substantial differences in housing and community design. In particular, the greater prevalence of multi-generational households among minority populations contradicts the nuclear family assumption of designers and builders and challenges them to think beyond a norm that is largely Northern European in origin. If careful consumer research supports such innovation, it may well prove attractive to the broad community, as three-, four-, and even five-generation families become more prevalent across all population groups. In general, the wider range of households and traditions calls for research to see if financing mechanisms need to be varied, or policies re-

evaluated, to make sure that facilities and other public parts of the community fit a more diverse household population.

D. Households that are post-family and pre-retirement generally have higher incomes than the average for all households, while households in minority populations tend to have generally lower incomes at all life stages.

Income plays a major role in determining Americans' housing resources and preferences, especially for homeownership. Much has been written about the increase in household income inequality in recent decades, but researchers have not fully identified the role demographic changes may have played, including the increasing diversity in age, race, and household composition described above.²¹ In 2000, the bottom two-fifths of households accounted for less than 13 percent of the nation's household money income, down from 15 percent in 1967. The share held by the second and third fifths also declined. In contrast, the share held by the top fifth rose from 44 to 50 percent.

American household income reached an all-time high toward the end of the 20th century, and this trend continued as the new century opened: median household income in 2000 was \$42,151, as shown in Table 5.²² Population trends played a role, with record-low household size, a record-low dependency rate, especially of children, and a not unrelated record-high proportion of the population in the paid work force. Leaving nonfamily households aside, family income more than doubled in the last half of the century, despite the increasing diversity of family types. Married-couple families, often with two earners, had an income far above other household types, most of which tend to have one or no earners.

Table 5. Median Household Income, 2000

	<u>Median income</u>	<u>Median income per household member</u>	<u>Gini ratio</u>
All Households	\$42,151	\$21,972	0.447
25-34	\$44,477	\$19,112	0.402
35-44	\$53,243	\$20,497	0.402
45-54	\$58,217	\$26,366	0.402
55-64	\$44,993	\$28,436	0.457
65 +	\$23,047	\$19,793	0.472

Source: Table HINC-02, U.S. Census Bureau, www.census.gov

Household income varies considerably by age, as young adults tend to occupy the lower rungs of career ladders and older adults tend to have withdrawn, partly or completely, from the workforce. Consequently, the lengthening of the life span is creating a mid-life stage characterized by relatively high income, as shown by median income for 2000:

Households that are post-family but pre-retirement—essentially householders aged 45 to 64—generally have fewer dependents. In general, households in this age group also have higher incomes than the average for all households. The result is distinctly higher per capita income (income per household member). A common expectation among housing professionals has been that people would need less housing when their children departed for independent living and that city apartments might replace suburban houses for “empty-nest” households.²³ Yet anecdotal evidence suggests that many in this mid-life group are instead buying more, not less, housing and in a variety of residential locations.

Meanwhile, the Gini ratio in Table 5 shows that income inequality is particularly pronounced at older ages, reflecting in part different retirement resources as well as the cumulative effect of different lifetime earnings. Consequently, housing planners need to understand the full range of housing resources and needs among the rapidly growing older population.

By and large, Americans seem to accept the relative wealth of people in mid-life and older ages as natural and appropriate. Instead, their concerns about income inequality have focused on racial and ethnic minority groups. Household income is highest for Asians, followed by non-Hispanic whites, and lowest for blacks and then Hispanics. Since these population groups tend to have different sizes and types of households, per capita income is perhaps more descriptive of racial and ethnic differences. Non-Hispanic whites had the highest per capita income in 2000, followed by Asians, while Hispanics had the lowest, followed by blacks. This ordering parallels the relative age of each of these population groups, as well as their relative educational attainment—except that Asians have more education than non-Hispanic whites.

Some racial and ethnic populations are likelier to be poor than others. For example, the poverty rate for the non-Hispanic white population in 2000 was one-third the rate for Hispanics and non-Hispanic blacks and noticeably lower than the poverty rate for Asians and Pacific Islanders. Three decades earlier, the gap was slightly wider for blacks and slightly narrower for Hispanics.²⁴ These persistent racial differences reflect demographic differences (e.g. differences in age, educational attainment, marital status, and geographic location) as well as historically different treatment in the workplace, and they are reinforced by differences in ownership of assets and other kinds of wealth, particularly home ownership.²⁵

Clearly, current demographic and income trends suggest that the housing research agenda should expand to include investigating and differentiating the needs and preferences, as well as the resources, of people in the second half of income-earning life, along with those who have retired. Overall, housing professionals might do well to think in terms of three or four different age-based household/family scenarios, at different income levels, now that older age groups are coming to equal younger ones in size.

For instance, recent experience has challenged assumptions that empty-nest households would “free up” valuable housing stock, and/or move into modestly sized housing of the type traditionally designed for young adults or retirees—the two historically childless types of households. Instead, many mid-life households seem to have used their increased per capita wealth to “trade up” to more lavish versions of the houses in which they raised their children.²⁶ At the same time, builders have learned that Sun City-type retirement communities have a limited audience among the elderly, even those that can afford them, and that older people have a varied range of housing preferences that are not just based on their economic resources. In fact, both mid-life and older Americans seem to favor housing that is very like the housing they chose when they were younger—single-“family” detached houses—even though they may transform the interiors to suit a different life stage.

Similarly, tracking trends in income by race and ethnicity for different age groups and household types seems logical, given the strong connection between income and residential choices, especially homeownership. For instance, although minority populations are younger than the majority, they, too, are experiencing longer life spans and thus the potential for greater wealth after children are grown but before income has necessarily peaked. Financing implications should be explored, including the role and effectiveness of government assistance/incentives, as well as such broad policy implications as issues of community cohesiveness.

III. Conclusion

The demographic context for housing is changing in two important ways. First, trends in life expectancy are increasing the population that is mid-life and older, both absolutely and relatively. Second, trends in fertility and immigration are increasing the racial and ethnic minority population, both absolutely and relatively. Both changes have considerable impact on the nation's household composition and thus on its housing needs and preferences.

From a housing perspective, it is vitally important to understand that longer lives are not only increasing the numbers of older adults but also offering them new life stages. Many people have jumped to the conclusion that a longer life span means more sick, old people—in other words, that it is adding unhealthy years to the end of life. But for several years now, research conducted at Duke University has signaled that health (active) life expectancy is growing as fast as overall life expectancy.²⁷ As a result, by 1997 Americans' life expectancy at birth was about 20 years longer than it was in 1929, and the number of years the average American lives past age 45 continues to grow.

Just as a rubber band, when stretched, expands in the middle, Americans are experiencing those “new” years in mid-life and reinventing mid-life in the process. At the same time, a new standard of energy and vitality has pushed old age into the 70s and beyond. As mid-life and older Americans take advantage of their new opportunities, it would be unwise to assume that housing location, design, and finance largely developed around young families will suit them in their later years.

It would be equally unwise to assume that America's growing minority populations are simply larger versions of minority populations of the past. Demographic changes are taking place within each group—notably, improvements in educational attainment and employment outcomes are creating more within-group income inequality. Other changes in both the social and economic environment are transforming preferences and opportunities for these populations, too.

Consequently, making specific recommendations for housing this changing population would be foolish, if only because many of its characteristics are new. Instead, housing professionals must make a concerted effort to investigate the needs and resources of a much more diverse household population if they wish to take advantage of, rather than suffer from changes in, the demographic context. Some directions for investigation are:

1. Discover what growing household segments really want from housing.

The already large and fast-growing household segments are mid-life post-child-rearing couples, older empty nesters, and single-person households in both stages. Other growing segments, such as nonmarital types of family households (e.g. older mother/mid-life child; mid-life parent(s)/young adult child), are considerably smaller.

In particular, midlife Americans are pioneering a new life stage. Anecdotal evidence suggests that many understand that they have as many as 20 “new”

years, and they are not willing to spend them according to old patterns.²⁸ Many are using the absence of children to change careers, go back to school, or start a business, often out of a home office. Midlife married couples are now the nation's largest household type. Are they continuing to live in the home they bought for raising their children? Are they in a new home for a new life stage? Answers to these and similar questions can guide housing professionals in understanding this growing demographic group.

Older Americans are also taking the opportunity to carve out new life patterns or embellish old ones. Housing professionals have found that such financial aspects as tax levels, land values, and cost of living are most important to some older people. Others prioritize such health issues as access to medical facilities or simply a warmer climate, while still others are most interested in remaining close to their families. The latter priorities may be more important to people, generally women living alone, in later old age. In any case, the uneven success of much housing developed in recent years for the growing numbers of older Americans calls for greater understanding of their wants and needs.

Other newly important segments also call for answers to such housing questions as: do people newly living alone really want smaller spaces in new locations? What are the priorities of post-child households? The important thing is to substitute knowledge for assumptions.

2. Investigate household composition for each minority group, including any relationships with housing preferences.

Since minority populations are growing rapidly, it is particularly important to understand what drives their housing choices. It would be disastrous to assume that these populations resemble non-Hispanic whites or even one another without verification: they each have their differences. Instead, investigations should start from ground zero. To illustrate, the nuclear family may be less useful as a concept for thinking about minority households than it is for non-Hispanic whites. For many groups, their culture of origin features extended family living arrangements, including more fluid child-raising responsibilities. Similarly, people from the Caribbean, Central America, and Africa often take consensual rather than marital unions for granted.²⁹ In particular, it might be useful to investigate sub-families (families living in the household of another family member) within these groups.

To what extent, if any, do these differences extend to housing needs and choices? And are there cost-effective ways to accommodate them?

3. *Develop an understanding of the relationship between household income and household composition, especially in relation to life stage and to racial and ethnic origin.*

To a great extent, younger adults (ages 25–44) are simultaneously investing in family/children, housing, and careers, while mid-life adults (ages 45–64) are simultaneously harvesting those same investments. This general tendency has profound implications for how much housing younger adults have access to, whether in terms of quality, location, or ownership. Monitoring the relative ease of homeownership is particularly important for that part of the population that is engaged in raising the next generation.

At the same time, longer life spans mean that people now live in a greater variety of households over their life course and thus undergo more transitions between them. Renting may be something people look to during such transitions, perhaps apartment or townhouse living, too. Or these preferences may well be income-driven, or cost-driven, rather than true preferences.

Over the longer term, how does affordability differ by life stage? It would be particularly useful to understand the dynamic between ownership and housing for the growing numbers of single-person households in mid-life and older age, especially since homeownership is Americans' primary way to hold wealth. Longitudinal databases could be helpful for addressing these and similar questions regarding the role of housing as an asset as well as shelter.

In the end, projections like the ones used in this paper tell us what will happen if preferences don't change, if policies and programs don't change, i.e., if people don't change. But people do change, along with the context in which they make their choices. Housing professionals who take a marketing, rather than a sales, approach to residential choices will influence those changes and thus those choices. Recall the fundamental difference between marketing and selling: selling is getting people to buy what you have, marketing is having what people want. This means finding out what people truly want, whether it be schools, security, convenience, price appreciation, or a particular type of house or neighborhood, and designing realistic and comprehensive packages accordingly.

¹ Projections are simple statements of what will happen if things keep going the way they are right now. Demographic projections are relatively reliable, largely because so much of the future population is present when the projections are being made. Moreover, U.S. trends have been relatively stable for more than a decade. However, households, not individuals, make housing choices. And household composition, as opposed to individual-level demographics, is driven by traditions and tastes as well as by the socioeconomic context. It is risky to predict changes influenced by preferences, especially when they involve fundamental beliefs and values about such core life activities as choosing a partner or having a child. Thus the household projections to 2025 developed for this paper have an illustrative value for directing future research and planning but not a predictive value for directing resource and investment decision-making.

² This paper is based on projections of the nation's households, originally developed by Thomas G. Exter for a study by this author for The Brookings Institution and updated and extended for this paper. (See Martha Farnsworth Riche, "The Implications of Changing U.S. Demographics for U.S. Cities," The Brookings Institution, Center on Urban and Metropolitan Policy, Washington, DC, 2001.) Although the Census Bureau also projects households, the bureau's projections have not been updated for many years and in any case cover a much shorter time span.

³ These Census Bureau projections include net migration, i.e., immigrants, as well as natural increase. For an understanding of the thinking that underlies current government population projections, see U.S. Census Bureau, "Methodology and Assumptions for the Population Projections of the United States: 1999 to 2100," Population Division Working Paper No. 38, issued January 13, 2000.

⁴ An oft-quoted Biblical verse (Isaiah 65:17–25) includes this promise: "No more shall there be ... an infant that lives but a few days, or an old person who does not live out a lifetime; for one who dies at a hundred years will be considered a youth, and one who falls short of a hundred will be considered accursed." Some demographers estimate that this prophecy is close to being realized, and that current population projections, such as the Census Bureau projections used in this paper, significantly understate future life expectancy. See, for example, James W. Vaupel, "The Average French Baby May Live 95 or 100 Years," in *Longevity: To the Limits and Beyond*, ed. Jean-Marie Robine, James W. Vaupel, Bernard Jeune, and Michel Allard (New York, Springer-Verlag, 1997).

⁵ A household consists of all the people who occupy a housing unit. A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live and eat with any other persons in the structure and there is direct access from the outside or through a common hall. There are two major categories of households, "family" and "nonfamily." A family household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing units. A nonfamily household can be a person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers. The count of households excludes group quarters. U.S. Census Bureau; www.census.gov.

⁶ Rosalind Berkowitz King, "Time Spent in Parenthood Status Among Adults in the United States," *Demography* 36 (August 1999), p. 380. Women spend slightly more of their lives parenting, men slightly less, as women tend to retain custody of their children after divorce. However, given remarriage rates, men spend about twice as much time as women as custodial, rather than biological parents, as well as mixed (biological and custodial) parents. Overall, white men spend an estimated 93 percent of the time white women do in parenting; African-American men spend an estimated 83 percent of African American women's time.

⁷ For statistics from 1970 and earlier, see U.S. Census Bureau, *Historical Statistics of the United States*, Washington, DC, 1975, Series A 288–319.

⁸ For statistical purposes, the official definition of children is "under age 18, living in the home."

⁹ The official definition of a householder is: "The person (or one of the people) in whose name the housing unit is owned or rented (maintained) or, if there is no such person, any adult member, excluding roomers, boarders, or paid employees. If the house is owned or rented jointly by a married couple, the householder may be either the husband or the wife. The person designated as the householder is the 'reference person' to whom the relationship of all other household members, if any, is recorded. The number of householders is equal to the number of households." (U.S. Census Bureau).

¹⁰ U.S. Census Bureau, March 2000 Current Population Survey, "Families and Living Arrangements," www.census.gov.

¹¹ Diane J. Macunovich, Richard A. Easterlin, Eileen M. Crimmins, and Christine Macdonald, "Echoes of the Baby Boom and Bust: Recent and Prospective Changes in Living Alone Among Elderly Widows in the United States," *Demography* 32 (February 1995): 17–28.

¹² William H. Frey and Alan Berube, "City Families and Suburban Singles: An Emerging Household Story from Census 2000, February 2002, Brookings Institution Center on Urban and Metropolitan Policy, www.brookings.edu.

¹³ For instance, Frey and Berube also found that during the 1990s, "central city population growth was at a three-decade high, but household growth was at a three-decade low."

¹⁴ The American Indian population is so small that it is included with Asians and Pacific Islanders in most of the tabulations displayed in this paper, under the heading "Other Races."

¹⁵ The percentages do not add to 100 because of rounding. Hispanics have been excluded from all racial groups, but since Hispanic is an ethnic, not a racial identification, it is quite possible that a shift in identification patterns could reshape these

proportions. U.S. Census Bureau, "Projections of the Total Resident Population," NP-T4-E, Internet Release, December 1999; www.census.gov.

¹⁶ See, for example, Roderick J. Harrison and Claudette Bennett, "Racial and Ethnic Diversity," in *State of the Union: America in the 1990s*, Reynolds Farley, ed. (New York, Russell Sage, 1995), p. 191; Kelvin M. Pollard and William P. O'Hare, "America's Racial and Ethnic Minorities," *Population Bulletin*, vol. 54, no. 3 (Washington, DC: Population Reference Bureau, September 1999), pp. 22–23.

¹⁷ Although Hispanics may be of any race, the Census Bureau has begun to publish data for non-Hispanic racial populations to meet users' demands for a crisp picture of the nation's racial and ethnic composition. When using these data, it is important to remember that households may, and often do, contain people of more than one race or ethnic group.

¹⁸ The age difference between racial and ethnic populations is a product of both immigration and differences in fertility, as the white non-Hispanic population has lower fertility (i.e., fewer children per woman).

¹⁹ Current international data show that consensual unions, rather than marital unions, are prevalent in Sub-Saharan Africa and many parts of Latin America and the Caribbean. U.S. family patterns may well reflect patterns prevailing in the countries of origin of minority populations.

²⁰ These projections do not take into account the potential effects on racial identification of intermarriage between population groups. In addition, since Hispanic is an ethnic, not a racial origin, it is possible that racial definitions may become more (or less) important to members of the Hispanic origin population.

²¹ For an early look, see "Growth in Family Income Inequality, 1970–1990: Industrial Restructuring and Demographic Change," By Albert Chevan and Randall Stokes, *Demography* 37 (August 2000): 365–380. The authors conclude that both industrial restructuring and demographic change were behind the rise in family income inequality.

²² After taking account of inflation, this represented no change from 1999. U.S. Census Bureau, "Money Income in the United States: 2000," P60–213, 2001.

²³ See, for example, Jennifer T. Moulton, "Ten Steps to a Living Downtown," a discussion paper prepared for The Brookings Institution Center on Urban and Metropolitan Policy, October 1999, p. 3.

²⁴ See Roderick J. Harrison and Claudette Bennett, "Racial and Ethnic Diversity," in *State of the Union: America in the 1990s*, Reynolds Farley, ed., Vol 2 (New York: Russell Sage, 1995), p. 195.

²⁵ See William P. O'Hare, *A New Look at Poverty in America*, Population Reference Bureau Bulletin, Vol. 51, no. 2 (Washington, DC: Population Reference Bureau, Inc., 1996), p. 12.

²⁶ Evidence for this phenomenon is still largely anecdotal and awaits serious life-course based research.

²⁷ See, for example, Kenneth G. Manton and Kenneth C. Land, "Active Life Expectancy Estimates for the U.S. Elderly Population: A Multidimensional Continuous-Mixture Model of Functional Change Applied to Completed Cohorts, 1982–96," *Demography* 37 (August 2000): 253–256; Kenneth G. Manton, Larry Corder, and Eric Stallard, "Chronic Disability Trends in Elderly United States Populations: 1982–94," *Proceedings of the National Academy of Sciences* 94 (1997): 2593–98.

²⁸ Focus groups of mid-life women commissioned by the author for a major publishing firm clearly displayed this phenomenon.

²⁹ See, for example, Chapter 2, "Women and Men in Families," in *The World's Women 2000: Trends and Statistics* (New York: United Nations, 2000).